

Honorable Mary Alice Theiler

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

PROPET USA, INC.,

Plaintiff,

v.

LLOYD SHUGART

Defendants.

Case No. C06-0186MAT

**PROPET USA INC.'S OPPOSITION  
TO DEFENDANT SHUGART'S  
MOTION FOR PARTIAL SUMMARY  
JUDGMENT DISMISSING  
PLAINTIFF'S COMPLAINT  
SEEKING INJUNCTIVE RELIEF**

Defendant Lloyd Shugart ("Shugart") was hired to produce photographs of Propet-brand shoes ("shoe pictures") for use in Propet USA, Inc's ("Propet") advertising materials:



See Propet's Amended Complaint, ¶ 6.

As the record reflects, over a period of several years Shugart was paid over \$100,000 as compensation for his efforts. See Shugart's Answer and Counterclaim ¶ 9, Docket No. 13. Shugart did not obtain an executed contract from Propet that governed his rights to the shoe

1 pictures he produced. Likewise, Propet did not obtain a written contract from Shugart. Shugart  
 2 invoiced Propet and Propet paid the invoices. According to Shugart, the only written instruments  
 3 exchanged between the parties were Shugart's invoices and a "film delivery memo." *See*  
 4 Declaration of Lloyd Shugart ¶¶ 6-7, Docket No. 32.

5 Propet conceded that Shugart holds the copyright to the shoe pictures, because he was an  
 6 independent contractor, and not a Propet employee. Plaintiff's Motion for Summary Judgment,  
 7 p. 4, Docket No. 75. On the other hand, since Propet paid for them, Propet contends that it has  
 8 the ongoing right to use the shoe pictures in connection with Propet's business. *Id.* 4-5. While it  
 9 has been decided that Shugart technically owns the copyright, what remains to be resolved is  
 10 what Shugart may do with the pictures of Propet brand shoes that he took and what Propet may  
 11 do with them.

12 Propet's amended complaint seeks a judicial determination that Propet is not a copyright  
 13 infringer and has an implied license to use the pictures Propet paid for when Shugart was hired.  
 14 *See* Propet's Amended Complaint, Prayer for Relief, ¶¶ A-B. This is legal relief that involves  
 15 Propet's request that the Court find Propet has an implied license. Shugart's motion does not  
 16 seek dismissal of Propet's complaint as it relates to seeking an implied license. Instead, Shugart  
 17 seeks summary adjudication of certain parts of Propet's prayer for relief that seek only equitable  
 18 relief. *See* Propet's Amended Complaint, Prayer for Relief ¶¶ C-E.

19 Set forth below are Propet's reasons for seeking equitable relief.

20 **1. That Shugart be permanently enjoined from selling or offering for sale any Propet**  
 21 **Photos on E -bay (Propet's Amended Complaint, Prayer for Relief, ¶ C)**

22 Shugart commenced threatening Propet shortly after Propet terminated its relationship  
 23 with him:

24 Any meetings between you, your client and my-self will not happen until I have  
 25 made a final decision and choice of legal counsel, and full disclosure of the  
 26 willful distribution of my personal properties by your client.

1 I fully intend to pursue all of my rights including notice under the safe-harbor rule  
2 to all ISP's regarding their display of images infringing my rights and notice of  
infringement to any and all companies now infringing my rights.

3 Best Regards

4 Lloyd Shugart

5  
6 Additionally I will be offering on sites such as E-Bay and various other internet  
7 opportunities the sale of my personal property along with the rights attached by  
law, with full disclosure of issues as they relate to my rights and property.

8 See attached: offer of sale.

9  
10 *See Kaser Decl., Ex. A.*

11 In Propet's first motion for summary judgment, Propet submitted evidence indicating that  
12 Shugart intended to offer his portfolio of Propet shoe pictures for sale on eBay for an asking  
13 price of \$1,300,000. *See Propet's Motion for Summary Judgment, p. 10, Docket No. 42; See*  
14 *Kaser Decl., Ex. A.*

15 While Shugart may technically own the copyright to the shoe photographs, he does not  
16 control the subject matter of the photos or the products (i.e., shoe brand, shoe design, or shoe  
17 model number, etc.), which means that Shugart may not necessarily be free to do what he wants.  
18 For example, Shugart has no right to use Propet's brand or to engage in any conduct that  
19 disparages Propet during the course of selling or transferring his "personal property" to someone  
20 else.

21 This case does not involve works of art. Shugart has not produced any evidence that  
22 these pictures have independent value to anyone or that anyone would want to purchase them.  
23 As a consequence, Shugart's threat to offer Propet's shoe pictures for sale on eBay for an asking  
24 price of \$1,300,000 is strong evidence of both unreasonable expectations and conduct on  
25 Shugart's part.  
26

1 This gives rise to legitimate concerns, on Propet's part, that Shugart may engage in  
 2 conduct that negatively impacts Propet's brand or business in some way during the course of  
 3 attempting to sell something on eBay that no one is likely to bid on. For this reason, Propet  
 4 sought additional equitable relief in Propet's amended complaint that prohibits Shugart from  
 5 depicting Propet's products on eBay. Shugart's above email is evidence that a fact dispute exists  
 6 concerning whether Shugart will make reasonable attempts to sell or transfer his copyright to  
 7 shoe pictures in a way that does not disparage Propet or Propet's business.

8  
 9 **2. That Shugart be permanently enjoined from transferring any right, title or interest**  
 10 **in Propet Photos to third parties without advance written approval (Propet's**  
 11 **Amended Complaint, Prayer for Relief, ¶ D):**

12 For reasons similar to those stated above, Propet is not without rights concerning  
 13 Shugart's shoe pictures. The photographs created by Shugart for Propet display Propet products  
 14 and Propet brands. Propet recognizes that Shugart has the right to transfer a photographic  
 15 copyright to others. However, the transfer, if any, must be reasonable and cannot be done in a  
 16 way that interferes with Propet's ongoing rights to use its own trademarks, and sell its own  
 17 products, or interfere with Propet's goodwill.

18 Rather than obtain a signed contract from Propet, Shugart now seeks to impose  
 19 unreasonable terms on Propet via a "film delivery memo" that he admits was never  
 20 acknowledged by Propet in writing. As pointed out in Propet's *first* motion for summary  
 21 judgment, the terms of the "film delivery memo" are the kind no one would agree to. *See*  
 22 Propet's Motion for Summary Judgment, pp. 7-9, 17-18, Docket No. 42. Also, as pointed out in  
 23 Propet's *second* motion for summary judgment, in order to enforce the "film delivery memo,"  
 24 Shugart claims that he delivered film to Propet in a box, with a seal that refers to the terms of the  
 25 "film delivery memo," but he separately mailed the "memo" to Propet with his billing invoice.  
 26 *See* Plaintiff's Motion for Summary Judgment, pp. 3-5, Docket No. 75. Thus, he separated the  
 terms from any act of acknowledgement of or agreement to the terms. Shugart has no evidence,

1 in the form of documentation or even his own testimony where he claims that he delivered the  
2 terms of the “memo” at the same time he delivered film.

3 Propet’s first motion for summary judgment pointed out that Shugart is no stranger to the  
4 courts. *See* Propet’s Motion for Summary Judgment, p. 2, Docket No. 42. Because Propet’s  
5 products are the subject of Shugart’s shoe photos, Propet has an ongoing interest in not being  
6 entangled in third party claims based on any alleged representations or purported contracts  
7 Shugart makes in connection with the attempted transfer of his copyright to shoe pictures that  
8 display Propet products.

9  
10 **3. That Shugart be permanently enjoined from threatening Propet customers with**  
11 **copyright infringement relating to their use of Propet Photos (Propet’s Amended**  
12 **Complaint, Prayer for Relief, ¶ E).**

13 Shugart argues that he is entitled to assert his rights against suspected infringers of his  
14 copyright. This will not be true if Propet is found to have an implied license.

15 Bookstores purchase copyrighted books and sell them to consumers. So long as the  
16 copyright owner receives payment, the copyright owner does not have the right to pursue claims  
17 of copyright infringement against the bookstore’s customers.

18 In *Effects Associates v. Cohen*, 743 F.2d 630, 636 (9<sup>th</sup> Cir. 1984), the 9<sup>th</sup> Circuit found  
19 that a low budget movie mogul had paid to use special effects footage in a movie called “The  
20 Stuff.” The 9<sup>th</sup> Circuit held: “The district court agreed with Cohen, and we agree with the district  
21 court: Oddo controls here. Like the plaintiff in Oddo, Effects created a work at defendant's  
22 request and handed it over, intending that defendant copy and distribute it.” *Id.* Nothing in  
23 *Effects Associates* indicates that the copyright owner had the right to pursue claims against  
24 recipients of “The Stuff” or the movie theaters where it played.

25 Likewise, if Propet prevails, it is unlikely Shugart will have the right to bring copyright  
26 infringement claims against Propet’s customers.

CONCLUSION

Propet's claims for injunctive relief are dependent on Propet's claim that it is entitled to an implied license. Because Shugart has not moved for summary judgment regarding Propet's implied license, Shugart's motion seeking dismissal of Propet's claims for injunctive relief should be denied.

DATED this 9th of July, 2007.

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I hereby certify that on this 9th day of July, 2007, I electronically filed PROPET USA INC.'S OPPOSITION TO DEFENDANT SHUGART'S MOTION FOR PARTIAL SUMMARY JUDGMENT DISMISSING PLAINTIFF'S COMPLAINT SEEKING INJUNCTIVE RELIEF with the Clerk of the Court using the CM/ECF system which will send notification of such filing to:

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